

# William E. Morris Institute for Justice

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## Medicaid Expansion Opportunity in Arizona

### Frequently Asked Questions

1. **Q: Who will be covered by the expansion?**

**A:** Under the Affordable Care Act, Arizona has the opportunity to expand the Arizona Health Care Cost Containment System (AHCCCS), our Medicaid program, to thousands of uninsured, low-income residents. If the state adopts this expansion, all low-income individuals and families earning less than 138% of the federal poverty level (FPL) will be eligible for health insurance coverage through Medicaid. Included will be individuals who make less than \$15,000 per year; families of two who make less than \$21,000 per year; and families of four who make less than \$32,000 per year.

2. **Q: How many additional persons will be covered?**

**A:** Approximately, 300,000 additional persons (25% more persons) will have health care coverage as a result of the expansion. Approximately 225,000 adults without minor children in the home with incomes up to 100% of the federal poverty level will be covered because the freeze on enrollment for childless adults will end and another 65,000 adults (parents and childless adults) with incomes between 100-138% of the federal poverty level will be added to the AHCCCS program. The childless adult population includes many persons who suffer from mental illness and rely on health care to meet their mental health needs. Persons with mental illness suffered disproportionately from the freeze and will benefit greatly from the expansion.

3. **Q: How much will the Medicaid expansion cost Arizona?**

**A:** If Arizona expands its AHCCCS program, the federal government will pay Arizona a higher reimbursement rate for childless adults health care costs. The health care costs for childless adults up to 100% of poverty will cost the state \$702 million over 4 years (2013-2016) and the federal government will pay almost \$4.8 billion for the coverage.

[http://www.azahcccs.gov/shared/Downloads/News/aca\\_ahcccs\\_costsummary.pdf](http://www.azahcccs.gov/shared/Downloads/News/aca_ahcccs_costsummary.pdf).

For the first 3 years, there are no costs to the state for adults between 100-138% of poverty, because the federal government will reimburse the state 100% of the health care

costs. In the 4<sup>th</sup> year the reimbursement rate will be 95%. The federal government is expected to pay Arizona over \$1.4 billion for these health care costs.

Any increased state costs for the expansion will be paid for by an assessment on hospitals which they enthusiastically support.

**4. Q: What is the federal government’s reimbursement rate to Arizona for the expansion?**

**A:** For childless adults up to 100% of poverty: 83% in 2014; increasing each year until it reaches 93% in 2019; and then it is 90% starting in 2020. This means that in 2014, for every \$1 Arizona spends on health care for this group, the federal government will spend \$5 and the government’s share of costs continues to increase and remain above this ratio.

For adults between 100-138% of poverty: 100% of the costs for 2014-2016, and gradually decreasing to 90% in 2020.

**5. Q: What if the federal government decides to lower the reimbursement rate?**

**A:** The federal government has told the states that a state may opt out of the expansion at any time.

**6. Q: Does Medicaid help to keep persons healthy?**

**A:** Yes. Two recent studies show that Medicaid saves lives and improves health. First, a New England Journal of Medicine study compared three states including Arizona who have more generous Medicaid eligibility policies to states with less generous eligibility policies. The study showed that when states expanded Medicaid eligibility, death rates fell by 6 percent. “Mortality and Access to Care Among Adults After State Medicaid Expansions” [www.nejm.org/doi/full/10.1056/NDJMSA1202099](http://www.nejm.org/doi/full/10.1056/NDJMSA1202099).

Second, researchers studied health outcomes for a group of adults who “won” the Oregon lottery system to get on Medicaid and compared them to people who remained uninsured. <http://web.mit.edu/newsoffice/2011/medicaid-study-0708.html>. The people with Medicaid saw a doctor more often, reported improved health status, less anxiety and depression and fewer financial problems related to medical care.

**7. Q: Will the Medicaid expansion worsen the health care provider shortage or take health care services away from people who are already on Medicaid?**

**A:** No, in fact, Arizona can expand its provider workforce and improve services for current enrollees by taking this opportunity. It is estimated that the Medicaid expansion will generate approximately 21,000 jobs in Arizona. Grand Canyon Institute “Arizona’s Medicaid Options Under the Affordable Care Act: Fiscal and Economic Consequences,” September 26, 2012, <http://grandcanyoninstitute.org> pages 2-3, table 2. The Medicaid expansion brings a multibillion dollar investment to our health care system that will create new jobs and expand the size of our provider workforce – particularly in rural areas of the state. This increased workforce will mean improved access for everyone, including people who are currently insured through AHCCCS.

Currently, persons without health care coverage wait until they are very sick and then show up at the hospital emergency room to get needed medical care. With Medicaid, these persons will get preventative care from doctors and not have to resort to costly hospital care.

At the same time the federal government is providing increased funding to expand Medicaid, it also is reducing the amount of funds it pays to hospitals to help them with their costs of care for people who have no insurance or no money to pay hospital bills. This is called “uncompensated care.” If Arizona does not expand Medicaid, hospitals will receive less money from the federal government for uncompensated care but will have to continue to treat persons who show up at the emergency room and cannot pay their hospital bills.